

Message Text

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PAGE 01 LOUREN 01064 021004Z

14

ACTION EB-07

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FM AMCONSUL LOURENCO MARQUES

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INFO AMEMBASSY BLANTYRE

AMEMBASSY DARES SALAAM

AMEMBASSY GABORONE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY MBABANE

AMEMBASSY NAIROBI

AMEMBASSY PRETORIA

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E.O. 11652: N/A

TAGS: ECON, MZ

SUBJECT: BANKER'S VIEWS ON CURRENT ECONOMIC SITUATION IN
MOZAMBIQUE

SUMMARY: DR. FRANCISCO NORTON DE MATOS, DIRECTOR OF THE BANCO
STANDARD TOTTA, SPOKE ABOUT CURRENT ECONOMIC CONDITIONS IN
MOZAMBIQUE, INCLUDING CURRENT LIQUIDITY CRISIS, LOCAL RAMI-
FICATIONS OF RAND DEVALUATION, FOREIGN CURRENCY MANIPULATIONS,
AND NATIONALIZATION OF BUSINESSES. END SUMMARY.

1. LIQUIDITY CRISIS: LIQUIDITY CRISIS CONTINUES, UNABATED BY
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PAGE 02 LOUREN 01064 021004Z

PRODDING GIVEN BY GOVERNMENT AND BANKING OFFICIALS TO MOZAM-

BICANS TO RETURN THEIR MONEY TO BANKS. DE MATOS ESTIMATED THERE ARE 5.5 MILLION "CONTOS" IN CIRCULATION, UP FROM THREE MILLION IN LATE 1973. (1 "CONTO" EQUALS 1000 ESCUDOS EQUALS US\$40)
COMMENT: THESE FIGURES REFLECT AN INCREASE OF MONEY IN CIRCULATION IN MOZAMBIQUE, AND THE LACK OF CONFIDENCE RESIDENTS HAVE IN THEIR BANKS. FOLLOWING MACHEL'S JULY 24 SPEECH NATIONALIZING ACCOUNTS OF DOCTORS, LAWYERS, SCHOOLS, MISSIONS AND OTHERS, PEOPLE WHO FEARED THEY WERE "NEXT" WITHDREW WHATEVER THEY HAD IN THE BANKS. THESE FIGURES ARE FURTHER DRAMATIZED BY THE FACT THAT THE WHITE POPULATION, WHICH CONTROLS A LARGE PORTION OF THE MONEY, IS NOW ESTIMATED TO BE ABOUT 80,000 (PORTUGUESE EMBASSY FIGURE).

2. NEW MONEY: DE MATOS IMPLIED THAT ISSUANCE OF A NEW CURRENCY IS IMMINENT. HE WAS INFORMED BY BANCO DE MOZAMBIQUE OFFICIALS IN EARLY JULY THAT THE NEW CURRENCY WOULD BE ISSUED WITHIN THREE MONTHS. HE STATED HE WOULD NOT BE SURPRISED IF WHEN THE NEW MONEY IS ISSUED, PEOPLE HOARDING CURRENCY WILL BE FORCED TO TURN IT IN TO BANKS, AND WILL BE ALLOWED TO WITHDRAW ONLY SMALL AMOUNTS OF MONEY AT A TIME.

3. DEVALUATION: THERE IS MUCH TALK THAT MOZAMBIQUE WILL DEVALUE ITS CURRENCY, BUT IS WAITING TO SEE WHAT LISBON DOES. CENTRAL BANK OFFICIALS HERE HAVE TOLD DE MATOS THAT TECHNICALLY MOZAMBIQUE DOES NOT HAVE TO DEVALUE IF PORTUGAL DOES, BUT IT IS LIKELY THAT MOZAMBIQUE WILL FOLLOW PORTUGAL IN ORDER TO MAINTAIN PARITY BETWEEN THE MOZAMBICAN ESCUDO AND PORTUGUESE ESCUDO. DE MATOS ESTIMATED THE MOZAMBIQUE ESCUDO IS OVERVALUED BY AT LEAST FIFTY PER CENT.

4. EFFECTS OF S.A. RAND DEVALUATION: DEVALUATION OF THE SOUTH AFRICAN RAND WAS REFLECTED IN A RATE CHANGE IN PORTUGAL WHICH HAS NOT BEEN MATCHED IN MOZAMBIQUE. DE MATOS SAID THE RAND IS QUOTED IN LISBON AT 32 ESC. FOR COMMERCIAL TRANSACTIONS, AND BETWEEN 25 AND 26 FOR BANU NOTES. IN MOZAMBIQUE THE RATE IS 38.805. THUS, PEOPLE OR FIRMS HOLDING FOREIGN EXCHANGE, ESPECIALLY THE PORTUGUESE ESCUDO, CAN CHANGE THEM INTO RANDS FIRST AND THEN INTO MOZAMBIQUE ESCUDOS, REALIZING ABOUT 20 PERCENT GAIN IN THE PROCESS. THE RAND DEVALUATION AND THE LIMITED OFFICIAL USE

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PAGE 03 LOUREN 01064 021004Z

FALLING GOLD PRICE HAVE AFFECTED THE MOST VITAL SECTOR OF MOZAMBIQUE FOREIGN EXCHANGE EARNINGS, THE PAYMENT OF MOZAMBICAN MINERS WORKING IN SOUTH AFRICA. DE MATOS SAID NEGOTIATIONS ARE ALREADY UNDERWAY BETWEEN SAG AND GPRM TO ESTABLISH NEW RATES OF PAYMENT.

5. CABORA BASSA PAYMENTS: DE MATOS STATED THAT THE ORIGINAL RATE WHICH SOUTH AFRICA AGREED TO PAY FOR CABORA BASSA ELEC-

TRICITY HAS BEEN RENEGOTIATED, AND AGREED THAT THE NEW RATE WAS PROBABLY TWICE THE OLD. THE FALLING PRICE OF GOLD WILL NOT AFFECT THESE PAYMENOS, AS THE CONTRACTED RATE IS IN METROPOLITAN PORTUGUESE CENTAVOS.

6. NATIONALIZATION: DE MATOS THINKS THAT COMMERCIAL BANKS WILL BE ALLOWED TO CONTINUE TO OPERATE AS THEY HAVE BEEN FOR "PERHAPS ANOTHER YEAR OR TWO" AND THAT NATIONALIZATIONS WILL BE DIRECTED AT SMALL FIRMS, NOT LARGE ONES, FOR THE TIME BEING.

7. FOREIGN INVESTMENT: DE MATOS STATED THE MOZAMBIQUE TRANSITIONAL GOVERNMENT HAD STARTED WORK ON A FOREIGN INVESTMENT CODE, BUT SO FAR NOTHING HAS BEEN PUBLISHED. THE ONLY INVESTMENT, FOREIGN OR DOMESTIC, OCCURRING IN MOZAMBIQUE AT THIS TIME IS INVESTMENT WHICH WAS COMMITTED BEFORE INDEPENDENCE. JACOBSEN

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